May 29, 2018

Submitted electronically to jmatthews@naic.org

The Honorable Dean Cameron

The Honorable Doug Ommen

Re: NAIC Suitability in Annuity Transactions Model Regulation

Dear Director Cameron and Commissioner Ommen,

As we read through the comment letters submitted by stakeholders in connection with the NAIC Annuity Suitability Working Group’s review of NAIC Model Regulation #275 – Suitability in Annuity Transactions Model Regulation – we noted that some continue to advocate for the inclusion of life insurance in this Model Regulation. We write to offer our perspectives as to why doing so is both unnecessary and ill-advised.

Including life insurance in the Model Regulation is unnecessary because life insurance sales practices are already subject to comprehensive state laws and regulations which assure that life insurance products are sold consistent with the best interest of consumers.

The attached sampling of state laws and regulations – most of which are based on NAIC models – is illustrative of the robust state framework that exists today governing life insurance sales practices. From the broad and comprehensive standards in the unfair trade practices laws, to the very specific requirements set forth in regulations that govern life insurance policy replacements, life insurance sales practices are already heavily regulated. Furthermore, this robust framework provides ample authority for state insurance regulators to address inappropriate producer, company and marketplace practices as they arise.

If there are any holes in the fabric of the state regulatory framework, they exist because not all states have adopted the important consumer protection safeguards found in these respective NAIC models. The attachment provides states and ACLI with a roadmap for redoubling our collective efforts to enact or adopt already existing NAIC models.
Life insurance ownership is at historic lows in America, and yet its primary protection feature is more important than ever. Between 1980 and 2016, the U.S. population increased 43 percent while the number of life insurance policies in-force declined 28 percent. The strain on state budgets and public resources resulting from families who, unfortunately, do not enjoy the safety net life insurance provides can only worsen in the coming years unless steps are taken to encourage private sector solutions.

Life insurers are developing new, innovative ways to reach and protect more Americans through easier access to life insurance. We do understand, and strongly support, the critical role state insurance regulation plays in governing life insurance sales practices. However, we respectfully encourage state insurance regulators to strike the right balance between promoting the value and importance of life insurance coverage while ensuring appropriate consumer protection. Shoehorning life insurance into a Model Regulation designed for annuities is not the right fit.

Very truly yours,

J. Bruce Ferguson

Attachment
Life insurance company sales practices are already subject to comprehensive state laws and regulations which assure that life insurance products are sold consistent with the best interest of consumers.

1. **Unfair Trade Practices**
   Regulates trade practices in the business of insurance by defining practices that constitute unfair methods of competition or unfair or deceptive acts or practices by insurers.

2. **Advertisements**
   Sets forth minimum standards and guidelines to assure full and truthful disclosure to the public of all material and relevant information in the advertising of life insurance policies.

3. **Use of Senior Specific Certifications and Professional Designations**
   Sets forth standards to protect consumers from misleading and fraudulent marketing practices with respect to the use of senior-specific certifications and professional designations in the solicitation, sale or purchase of, or advice made in connection with, a life insurance product.

4. **Illustrations**
   Provides rules for life insurance policy illustrations that will protect consumers and foster consumer education.

5. **Disclosure, Including Buyer's Guide**
   Provides standards for the disclosure of certain minimum information about life insurance contracts to protect consumers and foster consumer education.

6. **Multiple Policy Disclosure**
   Sets forth guidelines for insurers to utilize to search for additional policies or insurance coverages on the life of an insured upon notification of death of the insured.

7. **Small Face Amount Disclosure**
   Establishes rules that ensure meaningful information is provided to the purchasers of small face amount policies.

8. **Policy Language Simplification**
   Establishes minimum standards for language used in policies, contracts, and certifications of life insurance to facilitate ease of reading by insureds.

9. **Free Look**
   Requires insurers to inform policyholders of their right to receive a refund of monies paid after the return of first-issue or replacement life insurance policies during a free look period.

10. **Universal Life Insurance**
    Supplements existing regulations of life insurance policies in order to accommodate the development and issuance of universal life insurance plans.

11. **Variable Life Insurance**
    Requires insurers to maintain suitability standards, prohibits recommendations from being made to an applicant to purchase a variable life insurance policy, and prohibits the issuance of a policy in the absence of reasonable grounds of belief that the policy is suitable for the applicant based on information furnished by the applicant.

12. **Accelerated Benefits**
    Regulates accelerated benefit provisions of individual and group life insurance policies and provides required standards of disclosure.
13. Replacements
Protects the interest of life insurance policyholders by assuring they receive information with which a decision can be made in his or her own best interest.

14. Military Sales Practices
Sets forth standards to protect active duty service members of the United States Armed Forces from dishonest and predatory insurance sales practices by declaring certain identified practices to be false, misleading, deceptive or unfair.

15. Policy Loan Interest Rates
Establishes minimum standards for language used in policies, contracts, and certifications of life insurance, health insurance, credit life insurance and credit health insurance delivered or issued for delivery in to facilitate ease of reading by insureds.

16. Retained Asset Accounts
Establishes disclosure standards regarding the payment of life insurance benefits to a beneficiary by means of a “retained asset account.”

17. Producer Licensing
Governs the qualifications and procedures for the licensing of insurance producers.

1 Adopted in ALL jurisdictions.
2 Adopted in 37 jurisdictions (*PA & UT similar to accident & health advertising model). Not adopted in 14 jurisdictions: AK, DE, DC, HI, ID, IN, ME, MA, MS, MT, NV, NM, SC, WT.
3 Adopted in 45 jurisdictions. Not adopted in 6 jurisdictions: ID, LA, MA, MI, MS, NE.
4 Adopted 41 jurisdictions. Not adopted in 10 jurisdictions: AZ, AR, DC, FL, GA, ID, MN, TN, VA, WY.
5 Adopted 40 jurisdictions. Not adopted in 11 jurisdictions: AK, CO, DC, HI, ID, MN, MS, OK, TX, VA, WY.
6 Not Adopted 48 jurisdictions. Adopted in 3 jurisdictions: AL, IL, NV.
7 Not Adopted 46 jurisdictions. Adopted in 5 jurisdictions: GA, IA, NV, NC, WA.
8 Adopted 35 jurisdictions (MD Health Only). Not adopted in 16 jurisdictions: AL, AK, CO, DE, ID, IL, IA, KS, LA, MS, MO, NH, PA, VT, WA, WY.
9 Adopted in ALL jurisdictions.
10 Not Adopted 32 jurisdictions. Adopted in 19 jurisdictions: AR, FL, IL, IN, IA, KS, LA, MD, MI, MS, MO, NE, NM, ND, OH, OK, VA, WA, WY.
11 Adopted 40 jurisdictions. Not adopted in 11 jurisdictions: AL, NV, NH, OK, OR, RI, SD, VA, WA, WV, WY.
12 Adopted 26 jurisdictions. Not adopted in 25 jurisdictions: AK, DE, FL, GA, HI, ID, IA, KY, MD, MO, MT, NE, NV, NH, NM, ND, RI, SC, SD, TN, UT, VT, WV, WI, WY.
13 Adopted in 49 jurisdictions. Not adopted in 2 jurisdictions: DC, ND.
14 Adopted in 50 jurisdictions. Not adopted in 1 jurisdiction: MI.
15 Adopted 50 jurisdictions. Not adopted in 1 jurisdiction: CO.
16 Adopted in 27 jurisdictions. Not adopted in 24 jurisdictions: AL, AZ, DC, GA, HI, ID, MA, MI, MN, MS, MO, NM, OK, OR, PA, SC, SD, TN, TX, UT, VT, WA, WI, WY.
17 Adopted in ALL jurisdictions.